

Message Text

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ACTION NEA-09

INFO OCT-01 ISO-00 SP-02 AID-05 EB-07 NSC-05 CIEP-01

TRSE-00 SS-15 STR-04 OMB-01 CEA-01 CIAE-00 COME-00

FRB-03 INR-07 NSAE-00 XMB-02 OPIC-03 LAB-04 SIL-01

DODE-00 PA-01 USIA-06 PRS-01 L-02 H-02 AGR-05 IO-10

FEA-01 ERDA-05 FPC-01 INT-05 PM-03 SAM-01 OES-03 /117 W

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R 221030Z APR 75

FM AMEMBASSY TUNIS

TO SECSTATE WASHDC 8830

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E.O. 11652: N/A

TAGS: OVIP (PARSKY, GERALD), EFIN, EAID, EINV, TS

SUBJ: VISIT OF TREASURY ASSISTANT SECRETARY GERALD L. PARSKY

SUMMARY. ASSISTANT SECRETARY OF TREASURY PARSKY'S VISIT TO TUNISIA GAVE TUNISIANS OPPORTUNITY TO REEMPHASIZE THEIR DESIRE FOR CONTINUED CLOSE ECONOMIC COOPERATION WITH US AND FOR GREATER PRIVATE PARTICIPATION AND INVESTMENT IN TUNISIAN ECONOMY. IN ADDITION TO PRESSING FOR GREATER US AID AND INVESTMENT, TUNISIANS REPEATED REQUEST FOR CONCLUSION OF DOUBLE TAXATION TREATY AND SUBMITTED TEXT OF POSSIBLE TREATY. THEY ALSO REQUESTED THAT US-OWNED SURPLUS DINARS DIRECTLY SUPPORT TUNISIAN'S ECONOMIC DEVELOPMENT. MEETINGS GAVE PARSKY OCCASION TO DESCRIBE GENERAL LIMITATION ON USG ABILITY RESPOND TO TUNISIAN DESIRES. HE ALSO WAS ABLE TO INFORM HIGH-LEVEL TUNISIANS OF US POLICIES TOWARD ENERGY AND GENERAL TRADE AND INVESTMENT. END SUMMARY.

1. DURING HIS SHORT VISIT TO TUNIS, ASST SEC PARSKY CALLED ON SECRETARY GENERAL OF FINANCE, RACHID SFAR (ACTING FOR LIMITED OFFICIAL USE

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AILING MINISTER FITOURI), ACTING FOREIGN MINISTER KOOLI,

MINISTER OF NATIONAL ECONOMY LASRAM, AND GOVERNOR OF CENTRAL BANK GHENIMA. HE ALSO HAD OCCASION MEET OTHER SENIOR TUNISIAN OFFICIALS AT DINNER HOSTED BY AMBASSADOR AND LUNCH GIVEN BY MINISTER LASRAM. AFTER WORKING SESSIONS IN TUNIS, HE PROCEEDED TO JERBA.

2. ALL OFFICIALS WITH WHOM PARSKY SPOKE STRESSED EXCELLENT TRADITIONAL RELATIONS WITH US AND TUNISIAN APPRECIATION FOR PREVIOUS US AID. WHILE RECOGNIZING LIMITATIONS ON US ABILITY TO CONTINUE PAST HIGH LEVELS OF ASSISTANCE, THEY STRESSED THAT TUNISIA NOW AT IMPORTANT JUNCTURE WHERE BILATERAL ASSISTANCE SHOULD BE CONTINUED AND INCREASED SOMEWHAT IN ORDER TO PERMIT IT TO ACHIEVE SELF-SUSTAINED GROWTH. THEY WELCOMED IMPORTANT CONTRIBUTION THAT CAN BE MADE BY EXPORTS OF US GOODS AND TECHNOLOGY TO TUNISIA AND GREATER DIRECT US INVESTMENT BUT SAID THAT DURING INTER-MEDIATE PHASE US ASSISTANCE STILL NEEDED.

3. IN REVIEW OF US TRADE WITH TUNISIA, LASRAM NOTED THAT, WHILE RESPECTABLE LEVEL OF US EXPORTS TO TUNISIA COULD BE INCREASED, LEVEL OF TUNISIAN EXPORTS TO US GENERALLY SATISFACTORY. WITH EXCEPTION OF CRUDE OIL, POTENTIAL TUNISIAN EXPORTS TO THE US ARE GENERALLY LIMITED. REGARDING INVESTMENTS, LASRAM NOTED THAT TUNISIA HAS LARGE NATURAL GAS RESERVES OFFSHORE WHICH WILL PERMIT DEVELOPMENT OF LARGE-SCALE PETROCHEMICAL INDUSTRIES AS WELL AS PROVIDE CHEAP FUEL FOR EXISTING INDUSTRIAL ACTIVITY. HE HOPES VERY MUCH THAT US COMPANIES WILL BE PREPARED TO PARTICIPATE IN DEVELOPMENT OF GAS-BASED INDUSTRIES. DIRECTOR OF NATIONAL TOURISM OFFICE BOURAOUI ALSO NOTED THAT TUNISIA WILL BE SEEKING FOREIGN PARTICIPATION FOR VARIOUS FACILITIES IN EXTENSIVE TOURIST COMPLEX NORTH OF SOUSSE. PARSKY STRESSED IMPORTANCE OF DEFINING IN DETAIL A FEW PROJECTS IN WHICH TUNISIA WOULD LIKE US TECHNOLOGICAL PARTICIPATION AND THOSE WHERE FINANCING FROM OIL-PRODUCING ARAB STATES WOULD ALSO BE DESIRABLE.

4. ASSTSEC PARSKY DESCRIBED US ECONOMIC DIFFICULTIES AND OBSTACLES TO TRANSFER ABROAD OF US CAPITAL RESOURCES THAT MANY AMERICANS BELIEVE ARE NEEDED AT HOME. CONGRESS, LIMITED OFFICIAL USE

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REFLECTING PUBLIC ATTITUDE, IS QUESTIONING BILATERAL ASSISTANCE AND EXTENSION OF FISCAL INCENTIVES BENEFITING PRIVATE COMPANIES FOR FOREIGN INVESTMENT. HE ALSO DISCUSSED US POLICY TOWARD INTERNATIONAL CONFERENCE ON ENERGY, INCLUDING RECENTLY CONCLUDED PARIS PREPARATORY COMMITTEE MEETING, AND TRADE AND INVESTMENT MATTERS.

5. SFAR EXPRESSED HOPE THAT CURRENT WORLD ECONOMIC SITUATION

TION AND NEED FOR US INVESTORS TO COMPETE EFFECTIVELY WITH INVESTORS FROM EUROPE AND ELSEWHERE WOULD LEAD USG TO PERMIT INCLUSION OF "TAX SPARING" PROVISIONS IN TAXATION TREATIES WITH DEVELOPING COUNTRIES. THIS SHOULD PROVIDE REAL FISCAL INCENTIVES FOR PRIVATE US COMPANIES TO INVEST ABROAD. IN ANY CASE, HE SAID, CONCLUSION OF TAXATION TREATY BETWEEN US AND TUNISIA DESIRABLE AND SUCH AGREEMENT COULD BE AMENDED TO INCLUDE "TAX SPARING" PROVISIONS WHEN THIS BECOMES POSSIBLE. HE GAVE PARSKY COPIES OF TUNISIAN TAX LEGISLATION, OTHER RELEVANT LAWS, AND A COPY OF A MODEL TAXATION AGREEMENT WHICH GOT WOULD LIKE TO SEE CONCLUDED WITH US.

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E.O. 11652: N/A

6. SFAR TOLD PARSKY THAT GOT IS CONCERNED REGARDING LARGE INACTIVE DEPOSITS OF US-ONED DINARS WHICH HE SAID WILL ACCUMULATE TO \$190-200 MILLION. HE SAID THAT IN VIEW OF INCREASING ACCRUALS OF THESE DINARS, US SHOULD AGREE TO FORMULA TO PERMIT THEIR USE FOR TUNISIA'S ECONOMIC DEVELOPMENT. HE SUGGESTED THAT 50 PER CENT OF ANNUAL ACCRUALS FINANCE MAJOR PRIVATE AND GOVERNMENT DEVELOPMENT PROJECTS THROUGH

TUNISIAN BANKS WHILE REMAINING 50 PER CENT BE DIVIDED BETWEEN FUND FOR RURAL CREDIT AND ONE FOR SMALL BUSINESS LOANS. HE NOTED THAT IN ONE CASE (INDIA) USG HAD GIVEN FUNDS OUTRIGHT TO HOST GOVERNMENT AND STRESSED THAT ALL TUNISIA IS ASKING IS FOR BETTER UTILIZATION OF THESE FUNDS TO IMPROVE US IMAGE HERE AND TO HELP TUNISIA.

7. GHENIMA ALSO EXPRESSED HOPE TO PARSKY THAT USG COULD MAKE BETTER USE OF ITS DINAR HOLDINGS HERE TO BENEFIT OF TUNISIA. SOME OFFICIALS SUBSEQUENTLY RECOGNIZED THAT ONLY EXCESS DINARS AFTER USG DIRECT NEEDS ARE MET COULD BE RELEASED TO GOT. WHEN IT WAS POINTED OUT THAT BECAUSE OF LIMITED OFFICIAL USE

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INCREASING USG EXPENDITURES AND DECREASING ACCRUALS EXCESS IS GETTING INCREASINGLY SMALL IT WAS SUGGESTED THAT USG MIGHT CONCEIVABLY EXPLORE POSSIBILITY OF USING LARGE CURRENT BALANCE TO FINANCE LONG-TERM INVESTMENTS RATHER THAN REMAIN INACTIVE IN MEDIUM-TERM BANK DEPOSITS. PARSKY SAID HE WOULD LOOK INTO MATTER IN WASHINGTON.

8. COMMENT: BELIEVE ASSTSEC PARSKY VISIT USEFUL IN DEMONSTRATING OUR CONTINUED INTEREST IN TUNISIA. PARSKY'S YOUTH, DYNAMISM AND GRASP OF ENERGY AND INVESTMENT QUESTIONS MADE GOOD IMPRESSION AND HELPED GAIN BETTER TUNISIAN UNDERSTANDING OF US POSITION ON THESE SUBJECTS. THREE MATTERS RAISED DURING PARSKY VISIT (NEED FOR US INVESTMENT PARTICIPATION IN SPECIFIC PROJECTS, DOUBLE TAXATION TREATY, AND USE OF SURPLUS DINARS FOR TUNISIAN DEVELOPMENT PROJECTS) MAY WELL BE RAISED DURING PRIME MINISTER NOUIRA'S UPCOMING VISIT TO US.
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